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TAGS: [ELAB](#) [ECON](#) [EIND](#) [PGOV](#) [SOCI](#) [RS](#)
SUBJECT: MARKET CLOSURE COMBATS FRAUD BUT UNEMPLOYS
THOUSANDS

Classified By: A/EconJStepanchuk, Reasons 1.4 (b,d)

SUMMARY

¶1. (C) Moscow authorities closed the massive, open-air Cherkizovskiy market in the northeastern part of the city at the end of June after inspectors found multiple trade, sanitation, and fire code violations. Although technically closed temporarily pending resolution of the violations, city officials have plans to construct municipal housing on the site. Russian traders affected by the closure will receive government assistance with job placement in other areas. The city announced that foreign workers were not a priority. Upwards of 100,000 people lost jobs and businesses in the market, including approximately 45,000 migrant workers. After the closure, the immigrant community decided to start its own business association to defend its rights, although it is unlikely the association will carry much weight with GOR and city officials. Analysts asserted a &cleaned-up8 Cherkizovskiy would re-open. End summary.

MOSCOW CLOSES MARKET IN CONTRABAND CRACKDOWN

¶2. (U) Recent GOR attempts to crackdown on the trade of contraband goods led to the closure of one of Eastern Europe's largest markets. At the beginning of June, Prime Minister Putin demanded convictions in connection with the seizure at the Cherkizovskiy market of USD2 billion in goods purportedly smuggled from abroad, mainly from China. On June 29, Moscow authorities temporarily closed the market by order of Nikolai Yevtikhiev, Eastern Administrative District Prefect, after federal and city inspectors found multiple trade, sanitation, and fire code violations. This week, city authorities also closed portions of the neighboring Izmailovskiy market, although the Izmailovo Vernisage, famous since the 1990s for the sale of cheap souvenirs, remained open.

¶3. (U) The Cherkizovskiy market will remain closed, pending the results of the ongoing investigation into regulatory violations. On July 9, the Izmailovo District Court of Moscow suspended all operations in the Cherkizovskiy market for a period of 90 days. According to public statements by the GOR Public Prosecutor's Investigation Committee, which initiated the criminal proceedings against the market's management company, representatives from various GOR public health and internal affairs agencies were identifying contraband goods and regulatory violations at the market. Prefect Yevtikhiev told the press the market would reopen if

the Consumer Protection Service established that the violations had been corrected, although authorities noted the market would not continue to operate after December 2009. (Note: Rumors abound regarding the personal relationships between Putin, Luzhkov, and the market's owner. Putin was displeased with a multi-billion dollar investment by the market's owner in a new hotel in Turkey and the lavish celebration recently thrown to celebrate its opening despite the ongoing financial crisis. Luzhkov attended and cut the ribbon at the hotel's opening ceremony. The mayor also recently replaced the brother of the market's owner as First Deputy Prefect of another of Moscow's districts over accusations of criminal abuse by his staff. End Note)

14. (C) On July 23, Moscow City Government Department for External Economic and International Relations Acting Head Danilin told us the government closed the market because most of the Chinese, Vietnamese, and Central Asian immigrants were illegal aliens, and the goods they were selling were illegal, see septel on the Chinese Diaspora in Moscow. Danilin admitted that he thought the remaining immigrants would resurface at the Luzhniki retail market and other Moscow markets. He contended that the market closure would not result in a political problem for the city. Instead, Danilin maintained that this was a "positive step because people could now be sure they were buying quality products in Moscow."

MARKET MAY RE-OPEN, BUT STILL BAD NEWS FOR MIGRANTS

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15. (C) Moscow officials have subsequently publicized plans to close the market permanently and replace it with municipal housing. However, Julia Gordeyeva, DeutscheBank real estate analyst, told us Moscow Mayor Yuriy Luzhkov had regularly threatened to do this for the past seven years in the face of growing concerns that Cherkizovskiy was turning into a lawless &city within a city.⁸ Gordeyeva stated that the closure would not be permanent. She predicted that the market would be "cleaned-up" and re-opened.

16. (U) In a televised interview on July 14, Luzhkov announced that authorities planned to remove the Cherkizovskiy market and use the land for non-market activities. This week, Andrei Metelskiy, Head of the United Russia faction in the Moscow City Duma, told Kommersant that the need to build municipal housing had now replaced previous plans to use the land for the construction of a children's water park. Sergei Mitrokhin, Head of the Yabloko party and a Moscow City Duma Deputy, noted in a press release that the situation was getting out of control and that authorities needed to provide security quickly and organize the return of entrepreneurs, goods currently held at the market.

17. (U) The city's labor department will assist workers affected by the closure with job placement in other trade areas, but will prioritize assistance for Russian citizens. Oleg Netrebtskiy, Head of Moscow's labor agency, told Kommersant that all those who officially worked in the market would receive work in the consumer market or other sectors. However, Netrebtskiy specified that job placement for foreign traders in Moscow would be difficult and that his agency would give priority to Russians and Muscovites. He also noted, "Moscow does not need such a quantity of Chinese and Vietnamese traders, especially during the crisis, when our (Russian) compatriots cannot find work."

THOUSANDS LOSE JOBS AND BUSINESSES

18. (C) The Cherkizovskiy market closure was a serious blow to foreign entrepreneurs and migrant workers in Moscow.

Mojumder Muhammad Amin, President of the Federation of Migrants of Russia (FMR), told us that approximately 45,000 foreign citizens lost their jobs and businesses as a result of the market closure. FMR estimated that daily sales at the market totaled over \$100 million. According to Amin, 100,000 workers, Russian and foreign, were thrown out onto the street with no explanation from authorities. Last week, Interfax reported that 362 migrant traders had already been deported and 336 had been fined 1.4 million rubles for regulatory violations.

¶9. (U) Work permit violations led to the confusion between the official number of workers employed at the market and FMR estimates. Fyodor Karpovets, Head of the Moscow Branch of the Federal Migration Service, told the press this week that the six management companies operating at the market had a quota of only 14,250 foreign workers, contradicting FMR's claim that the market's firms employed 100,000 workers. Yuliana Aleksentseva of the State Labor and Social Insurance Research Institute told RIA Novosti last week that 2009 GOR regulations prohibit the employment of foreign traders in markets and kiosks, but not in other locations, enabling Cherkizovskiy market traders to obtain work permits without specifying the location of their employment. Aleksentseva also noted that local construction and communal service firms sold their quotas of foreign workers to firms operating at the market.

NEW BUSINESS CLUB TO PROTECT IMMIGRANT BUSINESS RIGHTS

¶10. (C) Migrant community representatives had difficulty initiating a dialogue with the Moscow city government on the Cherkizovskiy market issue. FMR President Amin told us they were collaborating with the Public Chamber to advocate for temporary legalization of migrant businesses while searching for a long-term solution to the problem. FMR's lawyers were also attempting to obtain further information on the status of the court's suspension of market activities and the progress of the investigation. However, Amin noted that the government had not responded to any of their requests to start a dialogue. He also expressed disappointment that no

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political party, business association, or labor union had spoken out in defense of the migrant workers and entrepreneurs affected by the closure.

¶11. (C) In the absence of official assistance or support from existing organizations, the migrant community decided to help itself. FMR temporarily opened a field kitchen near the Cherkizovskiy market to provide free, hot meals each afternoon to unemployed migrant workers now living on the streets. They also offered legal advice on entrepreneurs, rights. In addition, Amin told us that FMR planned to create an immigrant business club that would work with the Public Chamber, American Chamber of Commerce, and other organizations to defend immigrant business, rights. He noted that no one currently protected the security of immigrant businesses of any size and expressed hope that the new club would start to support the immigrant business community by the end of the summer.

COMMENT

¶12. (C) With the closure of the Cherkizovskiy market, the GOR and the city of Moscow have turned what was recognized as a growing problem into a legal and social problem for themselves. The legal grounds for closing the market completely for administrative violations are shaky. The closure has injected tens of thousands of unemployed workers, of non-Russian ethnicity, into a tight labor market with limited opportunities. Thus, even though a "cleaned-up"

Cherkizovskiy market may re-open ultimately, it will be at much greater cost than was necessary. End Comment.
BEYRLE